

# **The City of Bethlehem Aggregated Pension Plan**

## **Request for Proposal for Professional Services**

### **State Government-Leased Real Estate Fund Management**

**Responses due by 2 pm ET, Wednesday, September 12, 2018**

The City of Bethlehem, with approximately \$157 million in aggregated pension plan assets, is soliciting proposals from qualified investment companies to manage approximately \$5-10 million in a private, state government-leased real estate strategy. The City is not seeking hedge funds, infrastructure funds, private core real estate, or real assets funds.

In conjunction with this RFP, the City has engaged the investment consulting services of Morrison Fiduciary Advisors, Inc. to assist in the evaluation process. Morrison is a fee-only investment consulting firm with no affiliation with any money manager or broker dealer, which allows Morrison to be completely objective when advising the Plan.

This Request for Proposals (RFP) is issued in accordance with the requirements set forth in Pennsylvania Act 44 of 2009 and any potential vendor should familiarize themselves with this Act and conform to its specific requirements including complete an Act 44 disclosure form as part of its response to this RFP.

In selecting this Manager, the City has established the following minimum standards.

- Responding firm is a registered investment advisor with the SEC pursuant to the Investment Advisors Act of 1940 and will serve the pension plan in a fiduciary capacity.
- Responding firm and its team have all authorizations, permits, licenses and certifications required by federal and state laws and regulations to perform the services specified by this RFP.
- Responding firm has over \$500 million in private real estate assets under management.
- National-caliber firm in terms of private real estate, institutionally-focused as demonstrated by client base and a fee schedule which reflects the competitiveness in today's marketplace.

## **I. GENERAL INFORMATION**

Firm Name: \_\_\_\_\_

RFP Contact: \_\_\_\_\_ Phone # \_\_\_\_\_

Contact Email: \_\_\_\_\_

## **II. FIRM INFORMATION**

1. State whether or not you comply with all of the minimum standard requirements listed on the previous page. (If not, please explain.)
2. What is the firm's inception date? Please include the ADV Part 2A as an attached document. (Appendix A)
3. Provide an organizational chart of your firm's state government real estate investment committee and key decision making personnel along with their experience and years at firm including brief biographies. Also provide the name(s) of the client service personnel that would be assigned to our account including brief biographies.
4. Identify state government real estate assets under management and a breakdown of those assets between Corporate, Public, Taft Hartley, Foundation & Endowments, and High Net Worth Individuals.
5. Describe any past or pending regulatory action, litigation or other legal proceedings involving the firm or any registered employees and/or principals.
6. Describe your firm's liability insurance (e.g. Errors and Omissions, Fiduciary Liability, Fidelity Bonding) including dollar amounts your firm maintains to protect client assets?
7. Identify your firm's auditor, fund administrator, legal advisor, and any other service providers to the fund.
8. Describe your firm's internal controls regarding cash controls, valuation policies, risk management, and anti-fraud procedures. Has your firm undergone a SAS 70 or SSAE 16 review? If so, please summarize the key findings and any noted deficiencies.

### **III. INVESTMENT STRATEGY & PROCESS**

1. Describe your firm's investment philosophy regarding state government-leased real estate and what significant factors influence your success with this asset class? What is considered to be the competitive advantage of this investment philosophy?
2. Describe your firm's investment due diligence process regarding your deal sourcing and credit analysis, both qualitative & quantitative. Describe your firm's process for disposing of properties.
3. Describe your firm's risk management process at the portfolio and asset level.

### **IV. PROPOSED FUND TERMS**

1. Provide the name of the fund/account being proposed and the investment vehicle being proposed (i.e. open-end commingled fund, etc.).
2. Provide a term sheet on the specific product being proposed and investment guidelines.
3. Provide anticipated portfolio characteristics including but not limited to: # of properties, occupancy rate, average lease term, loan to value ratio, future commitments, # of investors.
4. Provide a breakdown of the fund's geographic diversification and Federal/State agency diversification.
5. What are your fund's target net IRR return goals? What is the Fund's targeted cash pay yield ranges? Are cash distributions intended to be paid quarterly, annually, or semi-annually?
6. Provide a detailed fee schedule regarding the fund you are proposing including management fees, carried interest and a preferred return, if applicable.
7. Include a list of the fund's holdings including but not limited to: location, state agency, square footage, lease term, purchase price, cap rate at time of purchase, etc.
8. Detail your valuation policy. How often are properties appraised both internally and externally?
9. Provide gross-of-fee and net-of-fee returns since inception.

## V. Submission Information and Summary

### **Please submit your response to this RFP as follows:**

1. Please submit in hard copy form 2 original proposals to Eric Evans, Business Administrator as well as 1 original proposal to the Consultant using the addresses shown below. This submission should only include the transmittal letter, RFP answers and Act 44 disclosure.
2. Please submit in electronic PDF form the items listed below:
  - Transmittal letter, RFP answers and Act 44 disclosure
  - Appendix A: Form ADV Part 2A (***electronic copy only***)
  - Appendix B: Private Placement Memorandum of fund being proposed (***electronic copy only***)
  - Appendix C: Most recent pitch-book on proposed fund with prior fund(s) detailed performance data (***electronic copy only***)

When submitting responses, please submit using the addresses shown below:

City of Bethlehem Aggregated Pension Plan  
Eric Evans, Business Administrator  
10 East Church Street  
Bethlehem, PA 18018  
[eevans@bethlehem-pa.gov](mailto:eevans@bethlehem-pa.gov)

Morrison Fiduciary Advisors, Inc.  
Robert Bulas  
1405 McFarland Road  
Pittsburgh, PA 15216  
[rjb@morrisonadvisors.com](mailto:rjb@morrisonadvisors.com)

#### Projected RFP timeline:

RFP Issue Date:	Tuesday, August 14, 2018
RFP Due Date:	Wednesday, September 12, 2018 @ 2pm ET
Anticipated Award Date:	4 <sup>th</sup> quarter 2018

To ensure a more efficient evaluation process, respondents should direct all inquiries regarding this RFP to Robert Bulas at Morrison Fiduciary Advisors via email only. Respondents should not contact City Officials directly. At any time during this RFP process, the City has the right to consider all factors and take any action to ensure the Fund obtains the best possible manager evaluation result. These City actions include the City's right to negotiate proposals received, amend the RFP process, accept additional proposals, consider information not contained in the original proposals and consider all factors in addition to price. The City appreciates your interest in serving the Plan and looks forward to your response.

## VI. Act 44 Disclosure

### PA ACT 44 DISCLOSURE FORM

#### CITY OF BETHLEHEM AGGREGATED PENSION PLAN, PENNSYLVANIA

#### LIST OF MUNICIPAL OFFICIALS FOR THE CITY OF BETHLEHEM

**APPLICANTS:** Certain questions on this Disclosure Form will refer to a ***“List of Municipal Officials”***. To assist you in preparing your answers, you should consider the following names to be a complete list of pension system and municipal officials and relevant employees.

#### Elected Officials

Robert J. Donchez – Mayor/Pension Board Member  
Bryan G. Callahan – Councilmember  
Paige Van Wirt – Councilmember  
  
J. William Reynolds – Councilmember  
  
Adam R. Waldron – City Council President  
  
Shawn M. Martell – Councilmember  
Michael G. Colon – Councilmember  
Olga Negron-Dipini – Councilmember  
George H. Yasso – Controller/Pension Board Member  
Kaija Farber – Treasurer/Pension Board Member

#### Pension Board Members

Eric R. Evans – Pension Board Member  
Sean Molony – Pension Board Member  
Douglas Nothstein – Pension Board Member  
Samuel Kessler – Pension Board Member  
Christopher Vargo – Pension Board Member  
Robert Shuck – Pension Board Member  
Warren Achey – Pension Board Member  
Edmund Healy – Pension Board Solicitor  
Mark W. Sivak – Dir. of Budget & Finance

#### APPLICANT STANDARD DISCLOSURE QUESTIONS

**APPLICANT INSTRUCTIONS:** In accordance with Chapter 7-A of Act 44, 2009, ALL applicants responding to this RFP must complete the following Standard Disclosure Form Questions.

1. Initial each question (except **Q1:**) to provide your response in the space provided to the right of each question.
2. **THEN:** provide explanations for all ***“Yes”*** or ***“Applies”*** responses **AND**, the information requested in **Q1: (mandatory)**, on a separate sheet(s) of paper with the question you are responding to clearly noted. Attach your response sheet to this Disclosure Form.

Required Act 44 Professional Services Contract Disclosure Information:

In accordance with Pennsylvania Act 44 of 2009, all Professional Services Contracts must disclose the following information in their Request for Proposal (RFP) response documents. All potential vendors should refer to PA Act 44 of 2009 and become familiar with their procedures and disclosures and then adhere to these standards throughout the RFP process.

1. Disclose the names and titles of each individual who will be providing professional services to the municipal pension system, including advisors or subcontractors and a description of the responsibilities of each individual and their resumes (as an exhibit).

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For any individual listed above:

a. Is the individual(s) listed above a current or former official or employee of the municipality entering into the contract: \_\_\_\_\_(No) , If Yes, please explain below.

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b. Is the individual(s) listed above a registered Federal or State lobbyist: \_\_\_\_\_(No) , If Yes, please explain below:

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2. Disclose the terms employment/compensation of any third party intermediary agent or lobbyist who will directly or indirectly communicate with a municipal pension system official(s) or employee(s) in connection with any investment transaction involving the potential vendor and the municipal pension system.

\_\_\_\_\_(not applicable) , If applicable, please explain below:

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3. Disclose any person that enters into a professional services contract with a municipal pension system that has a direct financial, commercial, or business relationship with any of the municipal pension system officers or employees which controls the municipal pension system.

\_\_\_\_\_(not applicable) , If applicable, please explain:

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4. Disclose any apparent, potential or actual conflicts of interest of any person or entity who potentially enters into, or applies for, submits an offer or bid for, responds to a request for, or otherwise solicits, a proposal or a contract with the municipal pension system.

\_\_\_\_\_(not applicable) , If applicable, please explain:

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5. Disclose all contributions (political contributions and gifts) to which all of the following apply:

- a. A contribution was made after the Act's December 18, 2009 effective date.
- b. A contribution was made by an officer, director, executive-level employee, or owner of at least 5% of the potential vendor.
- c. The amount of the contribution was at least \$500 in aggregate.
- d. The contribution was made to a candidate for any public office serving in the Commonwealth of Pennsylvania or to an individual who holds that office.
- e. The contribution was made to a political committee of a candidate for public office in the Commonwealth or to an individual who holds that office.

\_\_\_\_\_(not applicable) , If applicable, please list the name and address of the contributor, the contributor's relationship to the potential vendor, the name, office and position of each person receiving a contribution, the amount of the contribution, and any gifts to an official or employee of the municipal pension system:

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**APPLICANT VERIFICATION**

I, \_\_\_\_\_, hereby state that I am the \_\_\_\_\_ for  
(Name) (Position)

\_\_\_\_\_ and I am authorized to make this verification.  
(Contractor / Company Name)

I hereby verify that the facts set forth in the foregoing Act 44 Disclosure Form for RFP Applicants seeking to provide Professional Services to the City of Bethlehem Aggregated Pension Plan are true and correct to the best of my knowledge, information and belief. I also understand that knowingly making material misstatements or omissions in this form could subject the responding ***Applicant*** to the penalties in Section 705-A (e) of Act 44.

I understand that false statements herein are made subject to the penalties of 18 P.A.C.S. § 4904 relating to unsworn falsification to authorities.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date



### DEFINITIONS FOR THIS DISCLOSURE FORM

TERM:	DEFINITION:
<b>CONTRACTOR (ALSO – “APPLICANT”)</b>	Any person, company, or other entity that receives payments, fees, or any other form of compensation from a municipal pension system in exchange for rendering professional services for the benefit of the municipal pension system. <b><u>This term shall also Apply</u></b> to any Applicant who solicits, applies for, or responds to a Request for Proposal for the purpose of gaining a professional services contract.
<b>SUBCONTRACTOR OR ADVISOR</b>	Anyone who is paid a fee or receives compensation from a municipal pension system – directly or indirectly from or through a contractor.
<b>AFFILIATED ENTITY</b>	Any of the following: <ol style="list-style-type: none"> <li>1. A subsidiary or holding company of a lobbying firm or other business entity owned in whole or in part by a lobbying firm.</li> <li>2. An organization recognized by the Internal Revenue Service as a tax-exempt organization under section 501(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 501 (c) established by a lobbyist or lobbying firm or an affiliated entity.</li> </ol>
<b>CONTRIBUTIONS</b>	As defined in section 1621 of the act of June 3 <sup>rd</sup> , 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.
<b>POLITICAL COMMITTEE</b>	As defined in section 1621 of the act of June 3 <sup>rd</sup> , 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.
<b>EXECUTIVE LEVEL EMPLOYEE</b>	<b><u>ANY</u> employee or person or the person’s affiliated entity who:</b> <ol style="list-style-type: none"> <li>1. Can affect or influence the outcome of the person’s or affiliated entity’s actions, policies, or decisions relating to pensions and the conduct of business with a municipality or a municipal pension system; or</li> <li>2. Is directly involved in the implementation or development policies relating to pensions, investments, contracts or procurement or the conduct of business with a municipality or municipal pension system.</li> </ol>

<b>MUNICIPAL PENSION SYSTEM</b>	Any qualifying pension plan, under Pennsylvania state law, for any municipality within the Commonwealth of Pennsylvania; includes the Pennsylvania Municipal Retirement System. <i>Example: the Combined Pension Plan for the City of Washington.</i>
<b>MUNICIPAL PENSION SYSTEM OFFICIALS AND EMPLOYEES; MUNICIPAL OFFICIALS AND EMPLOYEES</b>	<b><u>Specifically</u></b> , those listed in the preceding section titled: <b><i>“List of Municipal Officials &amp; Employees for the Requesting Municipality:”</i></b> and / or whenever applicable, may include <u>any</u> employee of the <b>Requesting Municipality</b> .
<b>PROFESSIONAL SERVICES CONTRACT</b>	A contract to which the municipal pension system is a party to that is: (1) for the purchase of professional services including investment services, legal services, real estate services, and other consulting services; and, (2) not subject to a requirement that the lowest bid be accepted.